



**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

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**Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich**
Commissioners

Carlos Jackson
Executive Director

January 29, 2008

Honorable Board of Commissioners
Community Development Commission
of the County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVE AN AGREEMENT TO NEGOTIATE EXCLUSIVELY WITH L.A. COUNTY
HOUSING INNOVATION FUND, LLC FOR ADMINISTRATION OF THE REVOLVING
LOAN FUND (ALL DISTRICTS)
(3 Vote)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that entering into a 60-day Agreement to Negotiate Exclusively (Agreement) between the Community Development Commission (Commission) and L.A. County Housing Innovation Fund, LLC, a California limited liability corporation (Lender), to negotiate terms related to the administration of the Revolving Loan Fund (RLF), is not subject to the provisions of the California Environmental Quality Act (CEQA), because it does not have the potential for causing a significant effect on the environment.
2. Approve the Agreement, presented in substantially final form, between the Commission and L.A. County Housing Innovation Fund, LLC, to negotiate terms related to the administration of the RLF.
3. Authorize the Executive Director to execute the Agreement, to be effective following approval as to form by County Counsel and execution by all parties.
4. Authorize the Executive Director to amend the Agreement, to extend the negotiating period by a maximum of two additional 60-day periods, to be effective following approval as to form by County Counsel and execution by all parties.



PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize the Commission to negotiate exclusively the terms of the administration of the RLF with L.A. County Housing Innovation Fund, LLC.

FISCAL IMPACT/FINANCING:

On April 4, 2006, your Board approved the Homeless Prevention Initiative (HPI), which allocated funding to address the critical shortage of permanent housing, shelter beds and supportive services in Los Angeles County. Included in the HPI allocation was \$80,000,000 for Homeless and Housing Program Funds and \$20,000,000 for an RLF, with \$19,830,000 available for intermediaries to lend out. The RLF will provide funds for predevelopment and acquisition costs and help developers of affordable housing to target homeless or at-risk individuals and households. An administrative fee in the total amount of \$170,000 has been reserved for the Commission.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On April 4, 2006, your Board allocated \$20,000,000 in County General Funds to create the RLF. On June 26, 2007, your Board approved the Request for Proposals (RFP) process for the RLF. The primary focus of the procurement process was to identify lenders with affordable housing lending experience and the ability to leverage RLF funds to the greatest extent possible and provide the lowest interest rates on loans to affordable housing developers. These lenders would act as intermediaries on behalf of the Commission.

On July 17, 2007 the Commission released the RLF RFP to solicit proposals from lenders interested in administering the RLF. The RFP was advertised in area newspapers, the Commission's website and L.A. County's WebVen website. Additionally, notification postcards were sent to over 30 lending institutions. A single joint proposal was received from the Low Income Investment Fund, Century Housing Corporation and the Corporation for Supportive Housing. The proposal was reviewed for adherence to threshold requirements, scored and recommended for administration of the RLF. On November 20, 2007, the joint proposers formed L.A. County Housing Innovation Fund, LLC.

The Commission requests authorization to enter into an Agreement with L.A. County Housing Innovation Fund, LLC, to negotiate the terms of the RLF. The negotiation period may be extended by a maximum of two 60-day periods. Upon conclusion of the negotiations, a Loan Agreement will be presented to your Board for approval.

ENVIRONMENTAL DOCUMENTATION:

This action is exempt from the provisions of the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact or result in any physical changes to the environment. The action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

This Agreement does not commit the Commission to a particular course of action, and is not subject to the requirements of the CEQA or (NEPA). All CEQA and NEPA environmental review requirements must be completed prior to approval of funding for any particular project.

IMPACT ON CURRENT PROJECT:

This Agreement will allow the Commission to negotiate terms of a Loan Agreement with the L.A. County Housing Innovation Fund, LLC, which will result in the establishment of a RLF that will be utilized by affordable housing developers for predevelopment and acquisition activities within the County.

Respectfully submitted,


for CARLOS JACKSON
Executive Director

Attachment: 1

REVOLVING LOAN FUND

AGREEMENT TO NEGOTIATE EXCLUSIVELY,

by and between

COMMUNITY DEVELOPMENT COMMISSION

OF THE COUNTY OF LOS ANGELES

and

LA COUNTY HOUSING INNOVATION FUND, LLC

a California Limited Liability Corporation

**REVOLVING LOAN FUND
AGREEMENT TO NEGOTIATE EXCLUSIVELY**

THIS AGREEMENT TO NEGOTIATE EXCLUSIVELY (the "Agreement") is entered into this _____ day of _____, 2007, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body, corporate and politic ("Commission"), and LA COUNTY HOUSING INNOVATION FUND, LLC, a California Limited Liability Corporation ("Lender"), on the terms and conditions set forth below. Commission and Lender are sometimes referred to collectively herein as the "Parties" and each individually as a "Party".

RECITALS

- A. WHEREAS, Commission issued a Request for Proposals ("RFP") on July 17, 2007, for the establishment of a Revolving Loan Fund ("RLF") utilizing up to \$19.8 Million allocated on September 26, 2006 to the Commission by the County of Los Angeles ("County"); and
- B. WHEREAS, the Lender was selected, through an evaluation process, to be offered an Exclusive Right to Negotiate in accordance with the RFP's requirements; and
- C. WHEREAS, this Agreement is in response to the RFP, in which the Lender was selected to receive an Exclusive Right to Negotiate in accordance with the RFP's requirements.

NOW, THEREFORE, the Parties agree as follows:

[100] Duration of this Agreement

The duration of this Agreement shall be for sixty (60) days from the date first written above plus any extensions mutually agreed to by the Executive Director of the Commission and the Lender ("Negotiation Period"). If upon the expiration of the Negotiation Period, the Lender has not signed and submitted a Loan Agreement satisfactory to Commission in its sole discretion, then this Agreement shall automatically terminate. The Board of Commissioners of the Community Development Commission of the County of Los Angeles ("Board of Commissioners") has authorized the extension of this Agreement by a maximum of two additional 60-day periods.

[101] Deposit

Prior to the execution of this Agreement by Commission, the Lender shall submit to Commission a non-refundable, good faith deposit (the "Deposit") in the amount of FIVE THOUSAND DOLLARS (\$5,000.00). The Deposit shall ensure that the Lender will proceed diligently and in good faith to negotiate and perform all of its obligations under this Agreement.

[200] Good Faith Negotiations

Commission and the Lender agree to negotiate diligently during the Negotiation Period set forth above and in good faith to prepare the Loan Agreement for execution by the Lender and for submission and approval by the Board of Commissioners, in the manner set forth herein

with respect to the establishment and operation of the RLF as referenced in Section 301 herein ("Establishment and Operation of RLF"). Commission agrees, for the Negotiation Period, not to negotiate with any other person or lender regarding the establishment or operation of the RLF. During the term of this Agreement, except as provided in the RFP, Commission shall keep confidential all information, plans, projections, and reports provided to Commission by the Lender in connection with the establishment and operation of the RLF and shall not disclose any such material to any third party, except to the extent required by law, without the express written consent of the Lender.

In the event at any time during the Negotiation Period the Lender does not negotiate diligently and in good faith as determined by Commission in its reasonable discretion, Commission shall give written notice, with a description of the failure and an explanation of the actions needed to cure, thereof to the Lender who shall then have thirty (30) calendar days to negotiate in good faith to the reasonable satisfaction of Commission. Following the receipt of such notice and the failure of the Lender to thereafter negotiate in good faith within said thirty (30) calendar days, this Agreement may be terminated upon written notice by the Executive Director of the Commission. In the event of such termination by Commission, Commission shall retain the Deposit and any interest earned thereon.

Except as provided in the preceding paragraph, upon termination of this Agreement on or before the expiration of the Negotiation Period (which may include any authorized extension of the original sixty (60) day period), neither party shall have any further rights against or liability to the other under this Agreement.

[300] RLF Program Concept

Lender will be required to work in tandem with Commission staff to finalize the establishment and operation of a RLF. Lender acknowledges that its selection as administrator of the RLF was based on its ability to leverage other funding sources and providing low cost financing to affordable housing developers. Lender will be required to make annual interest payments on the loaned amount at the rate of two and a half percent (2.5%) and one and half percent (1.5%) per annum, simple interest for funds targeting households with incomes at or below sixty percent (60%) and thirty-five percent (35%) Area Medium Income ("AMI"), respectively. Additionally, Lender will be required to have a Commission staff member on its respective loan committee which will be responsible for overseeing the recommendation of projects to be funded with the RLF. Loan funds from the RLF will be restricted to assist affordable rental housing for low-income households with incomes at or below sixty percent (60%) of AMI as defined by the U.S. Department of Housing and Urban Development ("HUD") for the Los Angeles-Long Beach Metropolitan Statistical Area. Forty percent (40%) of the total funds allocated to the Commission by the County of Los Angeles ("County"), shall be reserved for households with incomes at thirty-five percent (35%) or below AMI. Loans shall be limited to a maximum of \$750,000 for predevelopment activities and \$5,000,000 for acquisition activities. Maximum to be lent out to any specific project is \$5,000,000. Lender will also be required to submit all proposed projects to Commission for a preliminary review to ascertain if CEQA clearance can be obtained within ninety-days (90) from the date of Environmental Service Request Form submittal to Commission. Lender acknowledges that its careful selection of projects is essential to the RLF's success. Projects with environmental concerns that will cause the CEQA clearance to exceed the ninety-day (90) threshold period will be ineligible for the RLF.

[301] Establishment and Operation of RLF

The negotiations between the Lender and Commission shall be for the establishment and operation of a RLF.

[400] Nature of the Lender

The LA County Housing Innovation Fund, LLC is a California Limited Liability Corporation. It is understood that the Loan Agreement can be entered into by affiliates of the Lender, upon review and approval by Commission.

[401] Office of the Lender

The principal office of the Lender is:

LA County Housing Innovation Fund, LLC
c/o Low Income Investment Fund
800 S. Figueroa Street, Suite 760
Los Angeles, CA 90017

LA County Housing Innovation Fund, LLC, or its designee, is the authorized representative for the Lender to administer and implement this Agreement.

[402] Full Disclosure

The Lender shall make full disclosure to the Commission any changes of its president, executive director, board members, members, major partners, joint venture partners, key managerial employees, other associates (collectively, "Principals"), and all other changes in material information concerning the establishment and operation of the RLF. The education, experience, and qualifications of Lender and its Principals whose identities, development experience, and qualifications were submitted with the RFP are of great importance to Commission and the basis for Commission to enter into this Agreement.

Any change of the principals of the Lender must be approved by Commission, in its reasonable discretion, during the term of this Agreement.

[500] Financial Ability

Prior to approval and execution of the Loan Agreement by the Lender and Commission, the Lender shall submit to Commission a proposed plan and budget for the establishment and operation of the RLF, and it shall be to the satisfaction of Commission in its sole and reasonable discretion.

[600] Public Participation

During the Negotiation Period, Commission may hold public meetings to obtain community comment on the proposed RLF. As requested by Commission, the Lender shall attend such public meetings and be prepared to report on and respond to the status of the proposed establishment and operation of the RLF.

[601] Conflict of Interest

The Lender represents, warrants and agrees that to the best of its knowledge, it does not presently have, nor will it acquire during the term of this Agreement, any interest direct or indirect, by contract, employment or otherwise, or as a partner, joint venture or shareholder (other than as a shareholder holding a one percent (1%) or less interest in publicly traded companies) or affiliate with any business or business entity that has entered into any contract, subcontract or arrangement with the Commission, Housing Authority of the County of Los Angeles ("Housing Authority") or County. Upon execution of this Agreement and during its term, as appropriate, the Lender shall, disclose in writing to the Commission, County, or Housing Authority any other contract or employment during the term of this Agreement by any other persons, business or corporation in which employment will or may likely develop a conflict of interest between the Commission's, Housing Authority's, or County's interest and the interests of the third parties.

[602] Findings, Determinations, Studies and Reports by the Lenders

Upon reasonable notice, as requested by Commission in its sole discretion, the Lender shall provide written progress reports to Commission on any matters, including plans and studies, if any, related to the RLF.

[700] Office of Commission

The principal office of Commission is:

Community Development Commission of the
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755
ATTENTION: William K. Huang, Director
Housing Development and Preservation Division

The Director of the Housing Development and Preservation Division is the Commission's authorized representative to administer and implement this Agreement, subject to any appropriate approvals of the Executive Director and/or Board of Commissioners.

[701] Loan Agreement Approval Process

Approval to enter into a Loan Agreement must be authorized by the Board of Commissioners. All other matters involving administration under this Agreement will require the approval of the Executive Director, or his designee.

[800] Commission Assistance and Cooperation

Commission shall assist and cooperate with the Lender in the establishment and operation of the RLF as Commission determines in its reasonable discretion.

[900] Limitations of this Agreement

This Agreement does not constitute a commitment of any kind by the Commission regarding the establishment and operation of the RLF. Execution of this Agreement by the Commission is merely an agreement to enter into a period of exclusive negotiations according to the terms hereof, regarding a Loan Agreement, reserving final discretion and approval in the Board

of Commissioners as to any Loan Agreement and all proceedings and decisions in connection therewith.

(Signatures on Next Page)

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year first written above.

LA COUNTY HOUSING
INNOVATION FUND, LLC

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES

BY: _____
Amber M. Carter, Director
Low Income Investment Fund

BY: _____
Carlos Jackson, Executive Director

APPROVED AS TO FORM:
Raymond G. Fortner, Jr.
County Counsel

By: _____
Deputy